AIR CANADA

News Release

Air Canada Reports Fourth Quarter and Full Year 2022 Financial Results

- *Record fourth quarter passenger revenues of $4.062 billion, doubled than fourth quarter 2021 and about two per cent higher than fourth quarter 2019*
- *Record fourth quarter operating revenues of $4.680 billion, 71 per cent higher than fourth quarter 2021 and about six per cent higher than fourth quarter 2019*
- *Operating losses of $28 million in the fourth quarter of 2022 and of $187 million for the full year 2022*
- *Adjusted EBITDA* of $389 million in the fourth quarter of 2022 and of $1.457 billion for the full year 2022*
- *Adjusted EBITDA margin* of 8.3 per cent for the fourth quarter of 2022 and of 8.8 per cent for the full year 2022*
- *Total liquidity of over $9.8 billion at December 31, 2022*

MONTREAL, February 17, 2023 – Air Canada today reported its fourth quarter and full year 2022 financial results.

"We are pleased with our fourth quarter and full year 2022 financial results. We reported record fourth quarter passenger and operating revenues, surpassing our results from a year ago and those of the fourth quarter of 2019. This was due to solid demand and yield environments across our network. This progress was also a result of the dedication and hard work of our employees who safely transported more than two million customers during a holiday period challenged by severe winter weather across North America, and to our entire team who successfully executed on our strategy. I warmly thank them," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

(*Adjusted CASM, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), adjusted pre-tax income (loss), free cash flow, leverage ratio, net debt, and return on invested capital referred to in this news release, are non-GAAP financial measures, capital management measures, non-GAAP ratios or supplementary financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures, and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.)

"Our performance is attributable to the deep resilience we have built into our company for long-term stability. We reported positive cash flows from operations in the fourth quarter of $647 million and positive free cash flow of $320 million. We exercised diligent cost control. Our adjusted EBITDA of $389 million was $367 million better than a year ago. For the full year, we reported adjusted EBITDA of $1.457 billion and an adjusted EBITDA margin of 8.8 per cent, meeting our full-year 2022 guidance. We ended the year with total liquidity of more than $9.8 billion.

"These results also validate our strategy of diversifying our revenue sources. In our core passenger business, revenue was about two per cent higher than in the fourth quarter of 2019. Revenue from our premium cabins was about 13 per cent higher, supported in part by Aeroplan. The loyalty program's active membership is at an all-time high and continues to grow, and Air Canada Cargo revenue was up 55 per cent compared to the same quarter pre-pandemic. Similarly, Air Canada Vacations ground package revenues contributed to the growth in other revenues of $62 million, or 23 per cent higher than the fourth quarter of 2019," said Mr. Rousseau.

"We are very encouraged with the positive outlook ahead. Our quarterly ticket sales were 102 per cent of the fourth quarter of 2019, on a lower level of capacity, and we expect a solid demand environment in 2023. In anticipation, we are building out our global network, continuing our narrow-body fleet renewal, and investing in technology and customer service. More than 36 million people chose to fly with Air Canada last year. We appreciate and thank them for their loyalty. We intend to do much more to provide them with an elevated level of customer service and continuous value from our airline in 2023 and beyond."

Fourth Quarter 2022 Financial Results

- Operating capacity, measured by Available Seat Miles (ASMs) increased about 59 per cent from the fourth quarter of 2021, representing about 85 per cent of the fourth quarter of 2019 ASMs, in line with projections in Air Canada's third quarter 2022 earnings release, dated October 28, 2022.
- Record fourth quarter passenger revenues of $4.062 billion nearly doubled from the fourth quarter of 2021, or about a two per cent increase from the fourth quarter of 2019.
- Record fourth quarter operating revenues of $4.680 billion increased 71 per cent from the fourth quarter of 2021 and about six per cent from the fourth quarter of 2019.
- Operating expenses of $4.708 billion increased $1.474 billion from the fourth quarter of 2021.
- Cost per available seat mile (CASM) decreased to 21.1 cents from 23.0 cents in the fourth quarter of 2021.
- Adjusted cost per available seat mile* (adjusted CASM) of 13.7 cents, compared to fourth quarter 2021 adjusted CASM of 16.7 cents. Compared to the fourth quarter of 2019, adjusted CASM increased about 15 per cent.
- Operating loss of $28 million, significantly better than an operating loss of $503 million in the fourth quarter of 2021.
- Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $389 million, an increase from adjusted EBITDA of $22 million in the fourth quarter of 2021.
- Net income of $168 million (or $0.41 per diluted share), compared to a net loss of $493 million (or $1.38 per diluted share) in the fourth quarter of 2021. Fourth quarter 2022 net income included a foreign exchange gain of $316 million.

- Adjusted net loss* of $217 million (or $0.61 per diluted share), compared to an adjusted net loss of $577 million (or $1.61 per diluted share) in the fourth quarter of 2021.
- Net cash flows from operations of $647 million compared to net cash flows from operations of $508 million in the fourth quarter of 2021.

Full Year 2022 Financial Results

- Operating capacity, measured by Available Seat Miles (ASMs) increased two-and-a-half times from 2021, representing about 73 per cent of 2019 ASMs, in line with projections in Air Canada's third quarter 2022 earnings release, dated October 28, 2022.
- Passenger revenues of $14.238 billion more than tripled from 2021, recovering to about 83 per cent of 2019 passenger revenues.
- Operating revenues of $16.556 billion increased over two-and-a-half times from 2021, recovering to about 87 per cent of 2019 operating revenues.
- Operating expenses of $16.743 billion increased $7.294 billion or 77 per cent from 2021.
- Cost per available seat mile (CASM) decreased to 20.3 cents from 28.3 cents in 2021.
- Adjusted CASM of 13.2 cents compared to 2021 adjusted CASM of 23.3 cents. Compared to 2019, adjusted CASM increased approximately 19 per cent, one percentage point above the high-end of the range projected in Air Canada's third quarter 2022 earnings release, dated October 28, 2022. This increase was due to the impact of higher passenger traffic and yield (which increased sales and distribution costs), general inflationary pressures, including but not limited to higher catering and service costs, customer disruption costs greater than expected (largely due to weather-related disruptions in the fourth quarter of 2022), and higher employee benefits expense.
- Operating loss of $187 million significantly better than an operating loss of $3.049 billion in 2021.
- Adjusted EBITDA of $1.457 billion, compared to negative adjusted EBITDA of $1.464 billion in 2021.
- Net loss of $1.700 billion (or $4.75 per diluted share), compared to a net loss of $3.602 billion (or $10.25 per diluted share) in 2021. 2022 net loss included a foreign exchange loss of $732 million.
- Adjusted net loss of $988 million (or $2.76 per diluted share), compared to an adjusted net loss of $3.768 billion (or $10.74 per diluted share) in 2021.
- Net cash flows from operations of $2.368 billion compared to net cash used in operations of $1.502 billion in 2021.

Outlook

For the first quarter of 2023, Air Canada plans to increase its ASM capacity by about 50 per cent from the same quarter in 2022 (or approximately 84 per cent of first quarter 2019 ASM capacity).**

Air Canada is providing the following guidance for the full year 2023 and updates to its 2024 long-term targets described below.

Metric	FY 2023 Guidance	FY 2024 Targets
ASM capacity	Increase of about 24 per cent from 2022 ASM levels (or about 90 per cent of 2019 ASM levels)**	About 100 per cent of 2019 ASM levels
Adjusted CASM	About 13 to 15 per cent above 2019 levels	About 8 to 10 per cent above 2019 levels
Adjusted EBITDA	About $2.5 - $3.0 billion	About $3.5 - $4.0 billion
Leverage ratio	N/A	Approaching 1.5 by year-end 2024
Annual Return on invested capital (ROIC)	N/A	About 15 per cent by year-end 2024
Cumulative free cash flow*	N/A	About $2.5 billion for the 2022-2024 period

Major Assumptions

Assumptions were made by Air Canada in preparing and making forward-looking statements. As part of its assumptions, Air Canada assumes moderate Canadian GDP growth for 2023. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.34 per U.S. dollar for the full year 2023 and that the price of jet fuel will average C$1.30 per litre for the full year 2023.

Air Canada provided 2024 targets via news release, dated March 30, 2022, in conjunction with its 2022 Investor Day held on the same day. The following includes updates and provides explanations for the restated targets:

- For 2024, Air Canada expects a full year ASM capacity of about 100 per cent of 2019 ASM levels; up from 95 per cent of 2019 levels, as a result of securing additional interim lift.
- Air Canada expects 2024 adjusted CASM to increase by about 8 to 10 per cent when compared to 2019, as compared to an increase of 2 to 4 per cent as provided at the 2022 Investor Day. The increase is due to the impact of higher passenger traffic (which increases sales and distribution costs), higher staffing levels to continuously improve operational performance and customer service levels, and general inflationary pressures.

(**Air Canada will continue to adjust capacity and take other measures as required, including to account for passenger demand, public health guidelines, travel restrictions globally, inflation and other cost pressures.)

- Air Canada is withdrawing its annual adjusted EBITDA margin target of about 19 per cent for full year 2024 and is now providing an adjusted EBITDA target, which is a better indicator to assess its financial performance. For 2024, Air Canada expects its adjusted EBITDA to range between about $3.5 - $4.0 billion. This new target for adjusted EBITDA range is in line with the adjusted EBITDA reflected in the margin target communicated at the 2022 Investor Day.

- Air Canada anticipates net debt to trailing 12-month adjusted EBITDA (leverage ratio)* to approach 1.5 by year-end 2024, up from 1.0 as provided at the 2022 Investor Day. The increase in Air Canada's targeted leverage ratio is attributable to expected higher cash used for capital expenditures, mainly due to additional freighter investments than previously forecast.

- The target for annual return on invested capital (ROIC) of about 15 per cent by year-end 2024 remains unchanged from prior target.

- Air Canada expects cumulative free cash flow generation of about $2.5 billion for the 2022-2024 period, as compared to about $3.5 billion provided at the 2022 Investor Day. The decrease in free cash flow is due to higher cash used for capital expenditures, as described above, partially offset by higher cash from operations.

The 2024 long-term targets provided in this news release do not constitute guidance or outlook, but rather are provided for the purpose of assisting the reader in measuring progress toward Air Canada's objectives. The reader is cautioned that using this information for other purposes may be inappropriate. Air Canada may review and revise these targets as economic, geopolitical, market and regulatory environments change. These targets are used as goals as Air Canada executes on its strategic priorities, and they assume a normal business environment. Air Canada's ability to achieve these targets is dependent on its success in achieving initiatives and business objectives and on certain major assumptions, including those discussed in this news release, and are subject to a number of risks and uncertainties. Please see the section below entitled "Caution Regarding Forward-Looking Information".

Non-GAAP Financial Measures

Below is a description of certain non-GAAP financial measures and ratios used by Air Canada to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results.

When calculating adjusted EBITDA, adjusted EBITDA margin, adjusted CASM, adjusted pre-tax income (loss), adjusted net income (loss), and adjusted earnings (loss) per share – diluted, Air Canada excludes the effects of the government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful. As described in notes 2, 4, 6 and 10 of Air Canada's 2022 annual audited consolidated financial statements dated February 17, 2023, these items, which were previously classified as special items in the consolidated statement of operations, have now been reclassified as follows:

- Government wage subsidy, benefit plan amendments and benefit plan settlement are now classified in wages, salaries and benefits.
- Impairments is now classified as a separate line item called impairment of assets.
- Workforce reduction provisions and other special items are now classified in restructuring and transaction costs.

EBITDA and Adjusted EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. In adjusted EBITDA, Air Canada excludes the effects of the government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Adjusted EBITDA Margin

Adjusted EBITDA margin (adjusted EBITDA as a percentage of operating revenues) is commonly used in the airline industry and is used by Air Canada as a means to measure the operating margin before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. Further, the effects of the government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs are also removed in computing adjusted EBITDA margin as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

EBITDA, adjusted EBITDA and adjusted EBITDA margin are reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions, except where indicated)	Fourth Quarter 2022	Fourth Quarter 2021	Fourth Quarter Change	Full Year 2022	Full Year 2021	Full Year Change
Operating loss – GAAP	**$ (28)**	**$ (503)**	**$ 475**	**$ (187)**	**$ (3,049)**	**$ 2,862**
Add back:						
Depreciation and amortization	417	399	18	1,640	1,616	24
EBITDA	**$ 389**	**$ (104)**	**$ 493**	**$ 1,453**	**$ (1,433)**	**$ 2,886**
Remove:						
Government wage subsidy, net	-	(27)	27	-	(451)	451
Benefit plan amendments	-	6	(6)	-	82	(82)
Benefit plan settlement	-	125	(125)	-	125	(125)
Impairment of assets	-	24	(24)	4	38	(34)
Restructuring and transaction costs	-	(2)	2	-	175	(175)
Adjusted EBITDA	**$ 389**	**$ 22**	**$ 367**	**$ 1,457**	**$ (1,464)**	**$ 2,921**
Operating revenues	**$ 4,680**	**$ 2,731**	**$ 1,949**	**$ 16,556**	**$ 6,400**	**$ 10,156**
Operating margin (%)	**(0.6)**	**(18.4)**	**17.8 pp**	**(1.1)**	**(47.6)**	**46.5 pp**
Adjusted EBITDA margin (%)	**8.3**	**0.8**	**7.5 pp**	**8.8**	**(22.9)**	**31.7 pp**

Adjusted CASM

Air Canada uses adjusted CASM to assess the operating and cost performance of its ongoing airline business without the effects of aircraft fuel expense, the cost of ground packages at Air Canada Vacations, government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs, and freighter costs as these items may distort the analysis of certain business trends and render comparative analysis across periods less meaningful and generally allows for a more meaningful analysis of Air Canada's operating expense performance and a more meaningful comparison to that of other airlines.

In calculating adjusted CASM, aircraft fuel expense is excluded from operating expense results as it fluctuates widely depending on many factors, including international market conditions, geopolitical events, jet fuel refining costs and Canada/U.S. currency exchange rates. Air Canada also incurs expenses related to ground packages at Air Canada Vacations which some airlines, without comparable tour operator businesses, may not incur. In addition, these costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison across periods when such costs may vary.

Air Canada also incurs expenses related to the operation of freighter aircraft which some airlines, without comparable cargo businesses, may not incur. Air Canada introduced one Boeing 767 dedicated freighter to its operating fleet in December 2021, and had three dedicated freighter aircraft in service as at December 31, 2022. Prior to 2021, Air Canada did not incur any costs related to the operation of dedicated freighter aircraft. These costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison of the passenger airline business across periods.

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions, except where indicated)	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Operating expense – GAAP	**$ 4,708**	**$ 3,234**	**$ 1,474**	**$ 16,743**	**$ 9,449**	**$ 7,294**
Adjusted for:						
Aircraft fuel	(1,459)	(665)	(794)	(5,276)	(1,576)	(3,700)
Ground package costs	(163)	(91)	(72)	(474)	(120)	(354)
Government wage subsidy, net	-	27	(27)	-	451	(451)
Benefit plan amendments	-	(6)	6	-	(82)	82
Benefit plan settlement	-	(125)	125	-	(125)	125
Impairment of assets	-	(24)	24	(4)	(38)	34
Restructuring and transaction costs	-	2	(2)	-	(175)	175
Freighter costs (excluding fuel)	(27)	-	(27)	(86)	-	(86)
Operating expense, adjusted for the above-noted items	**$ 3,059**	**$ 2,352**	**$ 707**	**10,903**	**7,784**	**3,119**
ASMs (millions)	**22,368**	**14,057**	**59.1%**	**82,558**	**33,384**	**147.3%**
Adjusted CASM (cents)	**¢ 13.68**	**¢ 16.74**	**¢ (3.06)**	**¢ 13.21**	**¢ 23.32**	**¢ (10.11)**

Free Cash Flow

Free cash flow is a non-GAAP financial measure used by Air Canada as an indicator of the financial strength and performance of its business, indicating how much cash it can generate from operations after capital expenditures. Free cash flow is calculated as net cash flows from operating activities minus additions to property, equipment, and intangible assets, net of proceeds from sale and leaseback transactions. Such measure is not a recognized measure for financial statement presentation under GAAP, does not have a standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results.

The table below reconciles free cash flow to net cash flows from (used in) operating activities for the periods indicated.

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2022	2021 (1) Restated	$ Change	2022	2021 (1) Restated	$ Change
Net cash flows from (used in) operating activities	**$ 647**	**$ 508**	**$ 139**	**$ 2,368**	**$ (1,502)**	**$ 3,870**
Additions to property, equipment, and intangible assets, net of proceeds from sale and leaseback transactions	(327)	(378)	51	(1,572)	(1,062)	(510)
Free cash flow	**$ 320**	**$ 130**	**$ 190**	**$ 796**	**$ (2,564)**	**$ 3,360**

(1) Refer to section 12 "Accounting Policies" of Air Canada's 2022 MD&A for a description of the change in presentation related to restricted cash and pursuant to which certain amounts have been reclassified to cash and cash equivalents with the 2021 comparative figures also reclassified.

Net Debt

Net debt is a capital management measure and a key component of the capital managed by Air Canada and provides management with a measure of its net indebtedness. It refers to total long-term debt liabilities (including current portion) less cash, cash equivalents. and short- and long-term investments.

Net Debt to Trailing 12-Month Adjusted EBITDA (Leverage Ratio)

Net debt to trailing 12-month adjusted EBITDA ratio (also referred to as "leverage ratio") is commonly used in the airline industry and is used by Air Canada as a means to measure financial leverage. Leverage ratio is calculated by dividing net debt by trailing 12-month adjusted EBITDA.

(Canadian dollars in millions)	**December 31, 2022**	**December 31, 2021 (1) Restated**	**Change**
Total long-term debt and lease liabilities	$ 15,043	$ 15,511	$ (468)
Current portion of long-term debt and lease liabilities	1,263	1,012	251
Total long-term debt and lease liabilities (including current portion)	**16,306**	**16,523**	**(217)**
Less cash, cash equivalents and short and long-term investments	(8,811)	(9,570)	759
Net debt	**$ 7,495**	**$ 6,953**	**$ 542**
Adjusted EBITDA (trailing 12 months)	**$ 1,457**	**(1,464)**	**2,921**
Net debt to adjusted EBITDA ratio	**5.1**	**NM (2)**	**NM**

(1) Refer to section 12 "Accounting Policies" of Air Canada's 2022 MD&A for a description of the change in presentation related to restricted cash and pursuant to which certain amounts have been reclassified to cash and cash equivalents with the 2021 comparative figures also reclassified.
(2) NM denotes "not meaningful".

Adjusted Pre-tax Income (Loss)

Adjusted pre-tax income (loss) is used by Air Canada to assess the overall pre-tax financial performance of its business without the effects of government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs, foreign exchange gains or losses, net interest relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on disposal of assets, gains or losses on debt settlements and modifications, as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Adjusted pre-tax income (loss) is reconciled to GAAP income (loss) before income taxes as follows:

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2022	2021	$ Change	2022	2021	$ Change
Income (loss) before income taxes – GAAP	**$ 146**	**$ (617)**	**$ 763**	**$ (1,524)**	**$ (3,981)**	**$ 2,457**
Adjusted for:						
Government wage subsidy, net	-	(27)	27	-	(451)	451
Benefit plan amendments	-	6	(6)	-	82	(82)
Benefit plan settlement	-	125	(125)	-	125	(125)
Impairment of assets	-	24	(24)	4	38	(34)
Restructuring and transaction costs	-	(2)	2	-	175	(175)
Foreign exchange (gain) loss	(316)	(22)	(294)	732	52	680
Net interest relating to employee benefits	(7)	(2)	(5)	(24)	8	(32)
(Gain) loss on financial instruments recorded at fair value	(44)	(59)	15	(133)	55	(188)
Loss on debt settlements and modifications	31	-	31	14	129	(115)
Gain on disposal of assets	(21)	-	(21)	(21)	-	(21)
Adjusted pre-tax loss	**$ (211)**	**$ (574)**	**$ 363**	**$ (952)**	**$ (3,768)**	**$ 2,816**

Return on Invested Capital

Air Canada uses return on invested capital ("ROIC") as a means to assess the efficiency with which it allocates its capital to generate returns. ROIC is calculated as the ratio between adjusted pre-tax income (loss), excluding interest expense, and invested capital. Invested capital includes average year-over-year long-term debt and lease obligations, average year-over-year shareholders' equity, and the embedded derivative on Air Canada's convertible notes. In 2020, Air Canada issued convertible unsecured notes. Air Canada has the option to deliver cash or a combination of cash and shares on the conversion date in lieu of shares, giving rise to an embedded derivative that is included as part of the definition of capital. Air Canada calculates invested capital on a book value-based method when calculating ROIC.

(Canadian dollars in millions)	12 Months Ended		
	December 31, 2022	December 31, 2021	$ Change
Adjusted pre-tax income (loss)	**$ (952)**	**$ (3,768)**	**$ 2,816**
Adjusted for:			
Interest expense	909	749	160
Adjusted pre-tax loss before interest	**(43)**	**(3,019)**	**2,976**
Invested capital:			
Average long-term debt and lease liabilities (including current portion)	16,415	14,756	1,659
Embedded derivative on convertible notes	120	579	(459)
Average shareholder equity (deficiency)	(773)	862	(1,635)
Invested capital	**$ 15,762**	**$ 16,197**	**(435)**
Return on invested capital (%)	**(0.3)**	**(18.6)**	**18.3 pp**

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share – Diluted

Air Canada uses adjusted net income (loss) and adjusted earnings (loss) per share – diluted as a means to assess the overall financial performance of its business without the after-tax effects of government wage subsidy, benefit plan amendments, benefit plan settlement, impairment of assets, restructuring and transaction costs, foreign exchange gains or losses, net financing expense relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

Adjusted net income (loss) and adjusted earnings (loss) per share are reconciled to GAAP net income as follows:

	Fourth Quarter			Full Year		
(Canadian dollars in millions)	**2022**	**2021**	**$ Change**	**2022**	**2021**	**$ Change**
Net income (loss) – GAAP	**$ 168**	**$ (493)**	**$ 661**	**$ (1,700)**	**$ (3,602)**	**$ 1,902**
Adjusted for:						
Government wage subsidy, net	-	(27)	27	-	(451)	451
Benefit plan amendments	-	6	(6)	-	82	(82)
Benefit plan settlement	-	125	(125)	-	125	(125)
Impairment of assets	-	24	(24)	4	38	(34)
Restructuring and transaction costs	-	(2)	2	-	175	(175)
Foreign exchange (gain) loss	(316)	(22)	(294)	732	52	680
Net interest relating to employee benefits	(7)	(2)	(5)	(24)	8	(32)
(Gain) loss on financial instruments recorded at fair value	(44)	(59)	15	(133)	55	(188)
Loss on debt settlements and modifications	31	-	31	14	129	(115)
Gain on disposal of assets	(21)	-	(21)	(21)	-	(21)
Income tax, including for above reconciling items (1)	(28)	(127)	99	140	(379)	519
Adjusted net loss	**$ (217)**	**$ (577)**	**$ 360**	**$ (988)**	**$ (3,768)**	**$ 2,780**
Weighted average number of outstanding shares used in computing diluted income per share (in millions)	358	358	-	358	351	7
Adjusted loss per share – diluted	**$ (0.61)**	**$ (1.61)**	**$ 1.00**	**$ (2.76)**	**$ (10.74)**	**$ 7.98**

(1) The deferred income tax expense recorded in other comprehensive income related to remeasurements on employee benefit liabilities is offset by a deferred income tax recovery which was recorded through Air Canada's consolidated statement of operations. This recovery is removed from adjusted net income (loss).

For further information on Air Canada's public disclosure file, including Air Canada's 2021 Annual Information Form dated February 25, 2022, consult SEDAR at **www.sedar.com**.

Fourth Quarter and Full Year 2022 Conference Call

Air Canada will host its quarterly analysts' call today, Friday, February 17, 2023, at 8:00 a.m. ET. Michael Rousseau, President and Chief Executive Officer, Amos Kazzaz, Executive Vice President and Chief Financial Officer, Lucie Guillemette, Executive Vice President and Chief Commercial Officer, and Craig Landry, Executive Vice President and Chief Operations Officer will be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Kazzaz and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

Media and the public may access this call on a listen-in basis. Details are as follows:

Live audio webcast: https://edge.media-server.com/mmc/p/3468bfxe

By telephone: 416-340-2217 or 1-800-898-3989 (toll free)

Please allow 10 minutes to be connected to the conference call.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions such as the military conflict between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, the remaining effects from the COVID-19 pandemic, Air Canada's dependence on technology, cybersecurity risks, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, the availability and onboarding of Air Canada's workforce, other epidemic diseases, changes in laws, regulatory developments or proceedings, employee and labour *relations and costs, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations, as well as the factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2022 MD&A. The forward-looking statements contained or incorporated by reference in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.*

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INFORMATION

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Selected Financial Metrics and Statistics

The financial and operating highlights for Air Canada for the periods indicated are as follows:

(Canadian dollars in millions, except per share data or where indicated)	**Fourth Quarter**			**Full Year**		
Financial Performance Metrics	**2022**	**2021**	**$ Change**	**2022**	**2021**	**$ Change**
Operating revenues	4,680	2,731	1,949	16,556	6,400	10,156
Operating loss	(28)	(503)	475	(187)	(3,049)	2,862
Operating margin [1] (%)	(0.6)	(18.4)	17.8 pp [10]	(1.1)	(47.6)	46.5 pp
Adjusted EBITDA [2]	389	22	367	1,457	(1,464)	2,921
Adjusted EBITDA margin [2] (%)	8.3	0.8	7.5 pp	8.8	(22.9)	31.7 pp
Income (loss) before income taxes	146	(617)	763	(1,524)	(3,981)	2,457
Net income (loss)	168	(493)	661	(1,700)	(3,602)	1,902
Adjusted pre-tax loss [2]	(211)	(574)	363	(952)	(3,768)	2,816
Adjusted net loss [2]	(217)	(577)	360	(988)	(3,768)	2,780
Total liquidity [3]	9,824	10,528	(704)	9,824	10,528	(704)
Net cash flows from (used in) operating activities [4]	647	508	139	2,368	(1,502)	3,870
Free cash flow [2]	320	130	190	796	(2,564)	3,360
Net debt [2]	7,495	6,953	542	7,495	6,953	542
Diluted earnings (loss) per share	0.41	(1.38)	1.79	(4.75)	(10.25)	5.50
Adjusted loss per share [2]	(0.61)	(1.61)	1.00	(2.76)	(10.74)	7.98
Operating Statistics [5]	**2022**	**2021**	**Change %**	**2022**	**2021**	**Change %**
Revenue passenger miles (“RPMs”) (millions)	18,525	9,612	92.7	66,495	21,045	216.0
Available seat miles (“ASMs”) (millions)	22,368	14,057	59.1	82,558	33,384	147.3
Passenger load factor %	82.8%	68.4%	14.4 pp	80.5%	63.0%	17.5 pp
Passenger revenue per RPM ("Yield") (cents)	21.9	21.2	3.3	21.4	21.4	-
Passenger revenue per ASM ("PRASM") (cents)	18.2	14.5	25.1	17.2	13.5	28.0
Operating revenue per ASM (cents)	20.9	19.4	7.7	20.1	19.2	4.6
Operating expense per ASM ("CASM") (cents)	21.1	23.0	(8.5)	20.3	28.3	(28.3)
Adjusted CASM (cents) [2]	13.7	16.7	(18.3)	13.2	23.3	(43.4)
Average number of full-time-equivalent (“FTE”) employees (thousands) [6]	33.2	25.2	32.0	30.5	19.8	54.2
Aircraft in operating fleet at period-end [7]	345	337	2.4	345	337	2.4
Seats dispatched (thousands)	12,690	8,772	44.7	47,038	21,105	122.9
Aircraft frequencies (thousands)	89.9	71.5	25.6	340.5	175.3	94.2
Average stage length (miles) [8]	1,763	1,602	10.0	1,755	1,582	11.0
Fuel cost per litre (cents)	134.3	83.9	60.1	130.1	74.7	74.0
Fuel litres (thousands)	1,084,569	791,581	37.0	4,056,788	2,108,144	92.4
Revenue passengers carried (thousands) [9]	10,098	5,836	73.0	36,144	13,192	174.0

(1) *Operating margin is a supplementary financial measure and is defined as operating income (loss) as a percentage of operating revenues.*

(2) *Adjusted pre-tax income (loss), adjusted net income (loss), adjusted earnings (loss) per share, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted EBITDA margin, free cash flow, net debt and adjusted CASM are non-GAAP financial measures, capital management measures, non-GAAP ratios or supplementary financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Refer to section “Non-GAAP Financial Measures” of this release for descriptions of Air Canada’s non-GAAP financial measures and for a quantitative reconciliation of Air Canada’s non-GAAP financial measures to the most comparable GAAP measure.*

(3) *Total liquidity refers to the sum of cash, cash equivalents, short and long-term investments, and the amounts available under Air Canada’s credit facilities. Total liquidity, as at December 31, 2022, of $9,824 million consisted of $8,811 million in cash, cash equivalents, short and long-term investments and $1,013 million available under undrawn credit facilities. As at December 31, 2021, total liquidity of $10,528 million consisted of $9,570 million in cash and cash equivalents, short and long-term investments, and $958 million available under undrawn credit facilities. These amounts also include funds ($386 million at December 31, 2022 and $167 million at December 31, 2021) held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators. Refer to section 12 “Accounting Policies” of Air Canada’s 2022 MD&A for a description of the change in*

presentation related to restricted cash effective as of the third quarter of 2022 and pursuant to which certain amounts have been reclassified to cash and cash equivalents with the 2021 comparative figures also reclassified.

(4) Refer to section 12 "Accounting Policies" of Air Canada's 2022 MD&A for a description of the change in presentation related to restricted cash and pursuant to which certain amounts have been reclassified to cash and cash equivalents with the 2021 comparative figures also reclassified.

(5) Except for the reference to average number of FTE employees, operating statistics in this table include third party carriers operating under capacity purchase agreements with Air Canada.

(6) Reflects FTE employees at Air Canada and its subsidiaries. Excludes FTE employees at third party carriers operating under capacity purchase agreements with Air Canada. As of December 31, 2022, there were 35,600 employees based in Canada.

(7) The number of aircraft in Air Canada's operating fleet at December 31, 2021 includes certain aircraft that were grounded due to the impact of the COVID-19 pandemic. As at December 31, 2022, two aircraft remained grounded pending return to service maintenance.

(8) Average stage length is calculated by dividing the total number of available seat miles by the total number of seats dispatched.

(9) Revenue passengers are counted on a flight number basis (rather than by journey/itinerary or by leg) which is consistent with the IATA definition of revenue passengers carried.

(10) "pp" denotes percentage points and refers to a measure of the arithmetic difference between two percentages.